

REVENUE PROPERTIES COMPANY LIMITED / Annual Report 1965





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REVENUE PROPERTIES COMPANY LIMITED

MAY 23 1966

Annual Report 1965

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CORPORATE INFORMATION



A. J. RUBIN



H. RUBIN



J. R. CAMPBELL, Q.C.



D. M. DEACON



D. D. DEANE



DR. H. FROST



S. GOTFRID, Q.C.



R. K. McCONNELL



W. P. WALKER, O.B.E.



J. P. WALWYN

BOARD OF DIRECTORS

ALEX J. RUBIN

Chairman and President, Revenue Properties Company Limited.
Resident Toronto.

HARRY RUBIN

Executive Vice-President, Revenue Properties Company Limited.
Resident Toronto.

JOHN R. CAMPBELL, Q.C.

Partner, Campbell & Rogers.
Resident Toronto.

DONALD M. DEACON

Vice-President and Director, F. H. Deacon & Co. Ltd., President and
Director, Canadian Hydrocarbons Ltd. Resident Toronto.

DISQUE D. DEANE

Partner, Lazard Freres & Co. Resident New York.

HELMUT FROST

General Manager of the Foreign Department of Bankhaus Friedrich
Simon KGaA. Resident Dusseldorf, Germany.

SAMUEL GOTFRID, Q.C.

Partner, Gotfrid, Dennis & Burnett. Resident Toronto.

ROBERT K. McCONNELL

President, McConnell & Company Limited. Director: Canadian Vickers
Ltd., The Metropolitan Trust Company. Resident Toronto.

WILLIAM P. WALKER, O.B.E.

President, Mindustrial Corp. Ltd. Director: Canadian Imperial Bank
of Commerce, Consumers Glass Co. Ltd., The Great West Life
Assurance Co., York Knitting Mills Ltd. Resident Toronto.

JOHN P. WALWYN

Chairman, Walwyn, Stodgell & Co. Ltd. Director: General Bakeries
Ltd., Thompson Paper Box Co. Ltd., Capital Growth Fund Ltd.
Resident Toronto.

OFFICERS

ALEX J. RUBIN, President and Chairman of the Board.

HARRY RUBIN, Executive Vice-President and Treasurer.

BERKO DEVOR, Senior Vice-President, Controller and Assistant
Secretary.

PETER E. BASTEDO, Vice-President.

IAN MacF. ROGERS, Secretary.

SARA TUBERMAN, Assistant Treasurer.

HEAD OFFICE

12 Sheppard Street, Toronto 1, Canada.

REAL ESTATE COUNSEL

Gotfrid, Dennis & Burnett.

CORPORATE COUNSEL

Campbell & Rogers.

AUDITORS

Perlmutter, Orenstein, Giddens, Newman & Kofman.

COMMON STOCK

Transfer Agent: National Trust Company, Limited.

Registrar: National Trust Company, Limited.

PREFERRED STOCK

Transfer Agent: National Trust Company, Limited.

Registrar: National Trust Company, Limited.

DEBENTURES

Trustee: The Royal Trust Company.

FIRST MORTGAGE BONDS

Trustee: The Metropolitan Trust Company.

REPORT TO THE SHAREHOLDERS



ALEX J. RUBIN, President

It is a pleasure to report that during the past year your Company continued to make satisfactory progress.

EARNINGS — The net earnings for the year were \$1,623,843 as compared with earnings of \$1,257,549 in 1964. Net earnings are after depreciation on buildings at the rate of 2½% on a straight line basis. For income tax purposes, however, maximum capital cost allowance has been used in accordance with the Income Tax Act, so that no income taxes are payable. These earnings are derived from two principal sources; rental income from your Company's portfolio of industrial properties, and dividends received from its wholly owned subsidiary, The Rubin Corporation Limited.

The Company owns 69 leased industrial buildings and an average occupancy rate of over 98% was maintained during the year.

After provision for the regular quarterly dividend and the participating dividend on the first preference shares totalling \$115,025, and after providing for the dividends on the second preference shares amounting to \$40,564, net earnings amounted to \$1,428,254 equivalent to \$1.10 per common share, up from \$1.147,549 or 92¢ per common share the previous year, an increase of approximately 20%.

DIVIDENDS — (a) In addition to payment of regular 32½¢ quarterly dividends on the 6½% cumulative redeemable convertible participating preference shares, Series A and Series B, your Company has paid a participating dividend of 70¢ per share on the Series A shares.

(b) On March 15, and September 15, 1965, your Company paid its regular semi-annual dividend on the common shares in the form of 1/40th of one \$10.00 6% second preference share for each common share outstanding.

(c) Your Company paid regular 15¢ quarterly dividends on the 6% second preference shares.

BALANCE SHEET — During the year Revenue Properties purchased six industrial buildings from The Rubin Corporation, having a total value of \$2,860,000. It is the policy of the Company not to reflect any inter-company profits in the earnings shown in the financial statements. The sale of properties from subsidiaries to the Company is not recorded as part of the volume of business of the subsidiaries.

This year, for the first time, the Annual Report includes the financial statements of all subsidiary companies consolidated with those of the Company.

The Consolidated Balance Sheet shows an increase during the year in the amount of "real estate under development" and the liability under the heading of "mortgages on real estate under development and secured loans" which primarily relates to those assets. This reflects increased activity by the Company in joint venture projects, however the related liabilities are, in accordance with Company policy, subject to conditions related to development progress and in any event involve only nominal cash requirements over the next five years.

The plans of your Company give full consideration to the possibility that credit may be restricted and interest rates high for an extended period.

SECURITIES OF THE COMPANY — As reported previously:

On April 6, 1965, Revenue Properties common stock and the warrants to purchase common stock (1961 issue) were listed for trading on the Toronto Stock Exchange.

In May, 1965, the Company added further to its working capital by the sale of 45,000 Series B First Preference Shares and \$2,000,000 Series B Debentures with warrants.

THE RUBIN CORPORATION LIMITED — A wholly owned subsidiary.

The net earnings for the year of The Rubin Corporation and all other subsidiary companies were \$975,859. The chief sources of profit during the past year were:

1. Sale of leased industrial buildings.
2. Industrial buildings erected on contract.
3. Development and sale of garden community projects.
4. Development and sale of land.

The operations of The Rubin Corporation are divided into the following three divisions: (a) Industrial (b) Housing (c) Urban Redevelopment. The Rubin Corporation often has the opportunity to enter into joint ventures whereby it provides the organization and know-how and its partner provides the funds for the project, thus conserving the company's financial resources. In ventures of this sort, as a matter of policy, Rubin imposes strict limitations on its liability. For example, in the industrial field, choice industrial land worth several million dollars is available to us for development. Most of this land is held by The Rubin Corporation under long term options, allowing progressive development, and the owners of the land participate in development profits as they are realized.

INDUSTRIAL DIVISION — A further increase in industrial activity occurred during 1965 compared to the previous year. Over 1,200,000 square feet of buildings were started during 1965. Of this, 300,000 square feet were in Montreal and 900,000 square feet in Toronto. There is a marked trend towards larger buildings and among those constructed last year, 5 were of approximately 100,000 each and one was over 200,000 square feet. More companies, including many of the larger ones, are recognizing the advantages which our "industrial package plan" is able to assure them. As a result our clients during the past year included among others the following:

Xerox
National Drug & Chemical
Abitibi Paper
Reynolds Aluminum
Volvo

Union Carbide
Dupont
Government of Ontario
International Nickel
Fairbanks Morse

During 1965, two important additions were made to this Division's industrial parks. In Toronto, a 43 acre site at the corner of Victoria Park Avenue and Highway 401 was purchased by a joint venture group. In Montreal, 80 acres, with about a mile of frontage on Cote de Liesse near Dorval Airport, was acquired on an option development basis. In both cases, control of these desirable sites was accomplished for a most reasonable commitment from The Rubin Corporation.

RESIDENTIAL DIVISION

Garden Communities — Approximately 1,400 units have been completed in three garden community projects — Braeburn Woods, Yorkwoods Village and Don Valley Woods. It is anticipated that construction will commence on an additional 500 units during 1966.

As a result of our experience in designing and constructing this type of family housing, The Rubin Corporation has been invited to make submissions to Ontario Housing Corporation for the development of several projects in accordance with their calls for proposals from developers. Our proposals for development include the site, architectural, engineering design and construction. The company has recently been given commitments by Ontario Housing Corporation to build approximately 500 housing units for it in three locations. Construction has already commenced on some units and all units will be completed over a period of about 18 months.

Sale Housing and Land Subdivision — This department has three important projects that are currently under development: (a) Peel Estates #2 in Brampton is a residential subdivision consisting of approximately 700 housing lots. This project was delayed for a year due to a municipal water shortage, but a satisfactory solution has been worked out and it is anticipated that the first portion of these lands will be serviced and sold during 1966. (b) In Toronto Township, the company has entered into a partnership for the development of 460 acres of land. The financing of this development is the responsibility of our joint venture partner. It is anticipated that a considerable portion of this land will be serviced and sold during 1966. (c) In Orangeville, a subdivision consisting of approximately 150 housing lots is being developed.

In all three developments our policy is to build and sell the first group of houses so as to launch the project properly and then sell most of the remaining lots to other builders. It is expected that our land development activity will make an important contribution to future earnings.

High Rise Apartments — During 1965, construction of a 265 unit apartment building was started in the company's Don Valley Woods development. This project which is being built in partnership, should be completed in

1966. For future development sites have been acquired near the subway intersection of Bloor and Yonge Streets for a complex containing apartments and retail shops.

URBAN REDEVELOPMENT IN USA — Urban Properties, Inc., your Company's 80% owned U.S. subsidiary, has substantially completed one housing project in Pittsburgh and one in Buffalo, totalling 400 housing units. We experienced serious labour problems in Buffalo. However the unexpectedly high costs and resulting losses were offset by the successful completion of other projects in the United States during 1965.

Under construction in Reading, Pennsylvania, is a downtown complex of apartments and stores, which will cost approximately \$2,500,000. This is similar to the project successfully completed in Lancaster, Pennsylvania in 1965.

Over the past ten years, the U.S. federal, state and municipal authorities have been engaged in a massive effort to facilitate and stimulate urban redevelopment. It is the opinion of your board that experienced developers will have numerous opportunities to participate in profitable projects. Our program for 1966 includes plans to start construction of approximately 650 low cost housing units in Pittsburgh.

GENERAL — The activities of Revenue Properties and its subsidiaries in Canada and the United States embrace a wide spectrum of urban real estate development. Your Company's broad diversification provides the flexibility to switch its emphasis to those areas of real estate which from time to time offer the greatest opportunities.

It is a pleasure to announce that Mr. J. P. Walwyn, Chairman of Walwyn, Stodgell & Co. Ltd., and Dr. Helmut Frost, General Manager of the Foreign Department of Bankhaus Friedrich Simon joined your Board of Directors which has been increased to ten.

Our sincere appreciation is expressed to all those associated with the activities of the Company for their devotion and hard work which has resulted in such excellent progress during the past year.

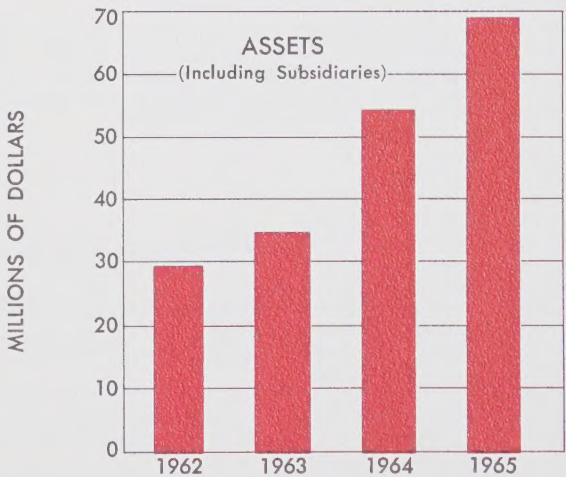
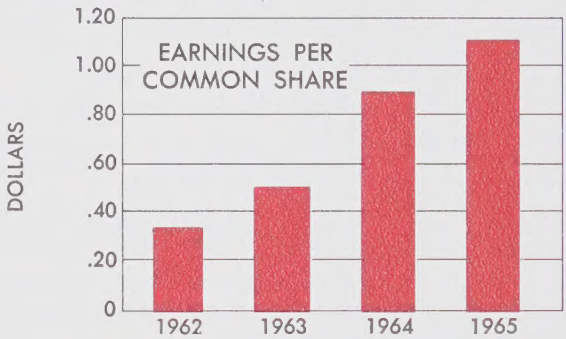
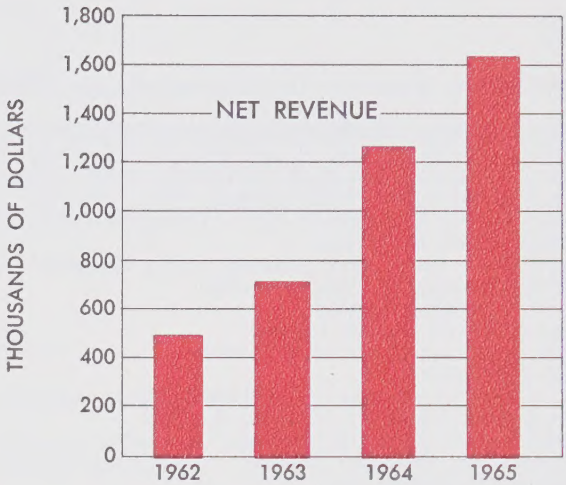
Respectfully submitted,

On behalf of the Board of Directors.



President and Chairman of the Board.

Toronto, April 30, 1966.



SUMMARY OF PROPERTIES

COMPLETED INCOME PROPERTIES

INDUSTRIAL (Located in Toronto unless otherwise indicated)

Acalor Chemical Construction (Canada) Limited
 Addison on Bay Ltd.
 Aersol Packaging of Canada Limited
 Applied Physics Specialties Limited
 Argo Plastics & Chemicals Ltd. — Brampton
 Frank Arnott & Co. Ltd.
 A. P. Parts Corporation (Canada) Ltd. — Montreal
 Barber-Coleman of Canada Limited
 B. C. Mercantile Limited
 Bell & Howell Canada Limited
 Bell Telephone Company of Canada
 Bev Pac Limited
 Bird Machine Company of Canada Limited — Quebec
 Brace-Mueller-Huntley (Canada) Limited
 British Motor Corp. of Canada
 Buhler Bros. (Canada) Limited
 Butterick Company Inc.
 Canada Bread Co. Ltd.
 Canadian Broadcasting Corporation
 Canadian Imperial Bank of Commerce — Winnipeg
 Canadian Industries Ltd. — Brampton
 Canadian Motorola Electronics Company
 Canadian Underwriters Association
 Canadian Westinghouse Co. Ltd. — Port Hope
 Commercial Filters Canada Ltd.
 Conduits National Co. Ltd.
 Consolidated Graphics Ltd.
 Continental Furniture Manufacturing Ltd.
 Co-Operative Book Centre of Canada Ltd.
 C. P. Clare Canada Limited
 Coventry Gauge & Tool Co. Canada Limited
 Dalmine Scaffolding Limited
 Decalcomania Industries
 De Luxe Reading Service
 Department of Public Works
 Diamond Alkali (Canada) Limited
 Docap Manufacturing Limited
 Domtar Limited
 Double Diamond Bowling Supply Ltd.
 183 Dovercourt Road (Various Tenants)
 Dresser Manufacturing Co. Ltd.
 Duro Test Electric Limited
 Duron Company Ontario Limited
 Edgar Eaton Assoc. Ltd.
 Farinon Electric of Canada Ltd. — Montreal
 Federal Pacific Electric of Canada
 Findlay Dairy Limited
 Fine Papers Limited
 Furniture Hardware Limited
 A. Garant & Sons Limited
 Garland Commercial Ranges Limited
 Garrett Hodson Limited
 Garrett Manufacturing Limited
 Gilchrist Vending Limited — Montreal
 Goodis, Goldberg & Soren Limited
 Griswold Corp. 1961 Ltd. — Quebec
 Gurney Products Limited
 Hanimex (Canada) Limited
 Harland Engineering Limited — Montreal
 Hi-Grade Upholstery & Drapery — Winnipeg
 Hilroy Envelopes & Stationery Ltd.
 Hodden Gray Graphics Limited
 Hodder & Stoughton Limited
 Hoffman Industries of Canada Limited
 J. I. Holcombe Manufacturing Company Canada Limited

Horne & Pitfield Foods Ltd. — Edmonton
 Hostess Food Products Ltd. — Montreal
 Imperial Refractories & Equipment Limited
 Industrial Minerals of Canada Ltd.
 I-T-E Circuit Breaker (Canada) Limited
 Johnson Matthey & Mallory Ltd.
 Kee Klamps North America Limited
 Kinny Shoes of Canada
 Knowles & Foster (North America) Ltd.
 Lampert & Atfield Ltd.
 Laurentian Airconditioning Company Ltd. — Montreal
 Laurentian Laboratories — Montreal
 S. F. Lawrason & Company Ltd. — Montreal
 Liberty-Fraser Building (Various Tenants)
 Liquor Control Commission — Winnipeg
 Magnetics Inc. (Canada) Limited
 Maysteel Limited
 McCall Corporation
 Minnesota Mining & Mfg. of Canada Ltd.
 Miracle Products Limited — Montreal
 Moirs Sales Limited
 Moore Business Forms Limited
 Mutual Warehousing Limited
 Mynex Limited
 Newage (Canada) Limited
 Peugeot Canada Limited
 Pipe Coil Fabricators Ltd.
 Precision Data Cards Ltd. & Co. — Quebec
 Precision Packaging Co. Ltd. — Montreal
 Prentice-Hall of Canada Limited
 Prestige Carpet Installations Ltd.
 Prochem Ltd. — Brampton
 P.T.C. Group Limited
 Pye Canada Limited
 496 Queen Street East — (Various Tenants)
 Rayette (Canada) Limited
 Remple Manufacturing (Canada) Limited
 Royal Electric Company (Quebec) Limited
 Reynolds Aluminum Containers (1965) Ltd.
 Shell Oil of Canada Ltd.
 Soft Sole Slipper
 Solo Klein Motoren of Canada Ltd. — Montreal
 Southam-McLean Publications Limited
 Sprague-TCC (Canada) Limited
 Standard Instruments (Canada) Limited
 Stedman Brothers Limited
 Stokes, Cap & Regalia Limited
 Sun Valley Restaurant
 Sunway Fruit Products Inc.
 Superior Record Distribution Ltd.
 Teleview Ltd. — Winnipeg
 The Manitoba Hydro Electric Board
 Thompson Paper Box Co. Ltd.
 Three Star Cabinets Mfg. Ltd.
 Transparent Paper Products Ltd. — Montreal
 Trench Electric Ltd.
 J. A. Tumbler Laboratories Ltd.
 Universal Brushes Limited — Montreal
 Visirecord of Canada Ltd.
 Volvo (Canada) Limited — Montreal
 Waterous Equipment Ltd. — Calgary
 Wayne Safety Appliances Ltd.
 Westclox Canada Limited
 George Weston Limited
 Xerox of Canada Ltd. — Quebec

Total number of industrial tenants:	162
Total industrial floor area:	2,775,686 sq. ft.

COMMERCIAL

The Colonnade — Toronto
The Citadel Motor Inn — Halifax (40% owned)
The Mana-to-Ana Motel — Thousand Islands (50% owned)
Chateaux Plaza Shopping Centre — Pittsburgh, Penn.
Four A & P Shopping Centres — Western Canada
Two Service Stations (Supertest & Shell Oil) — Toronto
Four Office Buildings — Toronto

Total number of commercial tenants: 135
Total commercial floor area: 729,912 sq. ft.

RESIDENTIAL

The Colonnade — Toronto
Brentwood Apartments — Halifax

Total number of residential suites: 395

Harry Rubin, Executive Vice-President



Miss Sara Tuberman, Assistant Treasurer



George Coleman, Chief Accountant



PROPERTIES UNDER DEVELOPMENT

INDUSTRIAL

Twelve Industrial Parks are under development. Over 2,000,000 square feet in more than 50 buildings have been erected in these Industrial Parks during the last 2 years. Currently more than 700,000 square feet are under construction.

RESIDENTIAL

(A) Garden Communities:— Toronto:

Yorkwoods Village:— Total No. of units 1700; completed 450 units.

Braeburn Woods:— 550 units; project completed.

Don Valley Woods:— 1,050 units; completed 250 units; under construction 470 units; in the planning stage 330 units.

(B) Sale Housing and Land Development:

Orangeville:— 150 house lots now being marketed.

Brampton:— 700 house lots.

Phase #1 to be marketed in 1966.

Toronto Township:— 3,000 house lots.

Phase #1 to be marketed in 1966.

Vaughan Heights:— 1,500 house lots; held for future development.

(C) High Rise Apartments:— 3 sites in the Yonge, Bloor and St. George area are held for development. Approximately 800 apartment units are proposed with completion staged over a 3 year period.

URBAN REDEVELOPMENT IN U.S.A.

Ellicott — Buffalo, New York.

Sheridan Park — Pittsburgh, Penn.

Pennley Park — Pittsburgh, Penn.

East Hills — Pittsburgh, Penn.

Washington Towers — Reading, Penn.

Completed — 480 units; under construction — 100 units; to be started during 1966 — 650 units.

INDUSTRIAL DIVISION



SAM CRAIG
Vice President
Sales Manager — Toronto



BERKO DEVOR
Senior Vice President
and Controller



REID DOWNEY
Vice President
Sales Manager — Montreal



Good design and landscaping boosts employee morale and provides a pleasing image of the company to visitors and passers by.



Office and reception areas are designed to customers' needs.

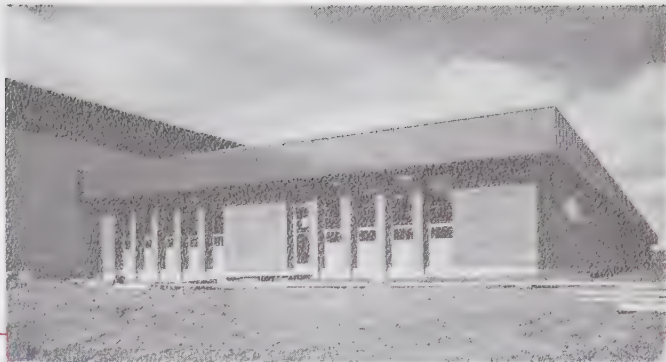


The quality of finishing in all offices is of a very high standard.



Industrial space is designed and planned for the unique requirements of each client, resulting in the greatest efficiency at the lowest cost.

In 1965 the Rubin Corp continued its leadership in the "Industrial Package Plan" field.
This is a sampling of the industrial buildings designed and constructed by your company during the year.



Abitibi Power and Paper Co. Ltd.
Toronto
202,000 Sq. ft.



Xerox Corporation Ltd.
Montreal
50,000 Sq. ft.



Alberto-Culver of Canada Ltd.
Toronto
100,000 Sq. ft.



Aerosol Packaging Ltd.
Toronto
55,000 Sq. ft.



Prentice-Hall of Canada Ltd.
Toronto
26,000 Sq. ft.

INDUSTRIAL DIVISION

In planning our Industrial Parks, a great deal of consideration is given to all factors which will enhance the esthetics of the site and buildings. A comprehensive study is made relating the buildings to this surrounding area, to each other and to the natural topography; this results in an attractive building in an attractive setting.

An example of one of our Industrial Parks, Prince Andrew Place, Don Mills, a total of 260,000 sq. ft. of multiple tenancy buildings has been completed in this development.

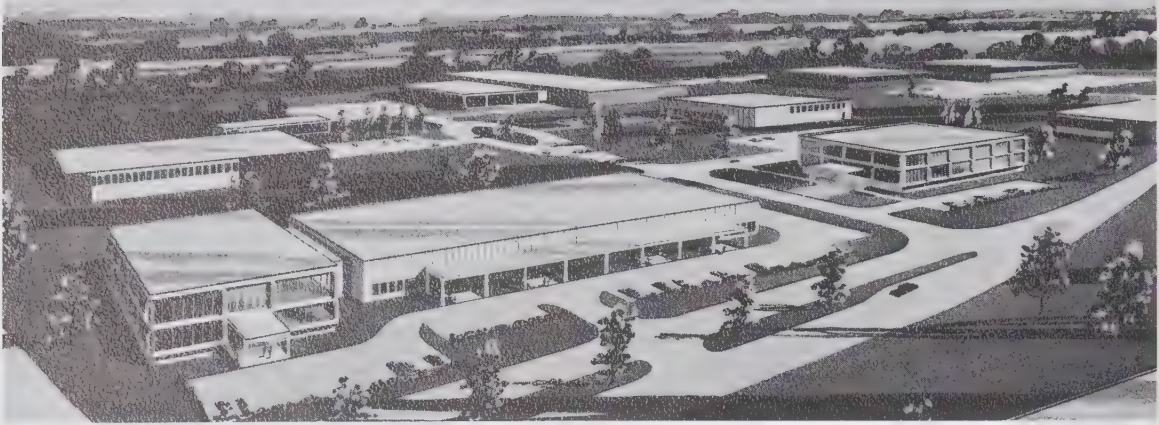




Wrentham Court, 125,000 sq. ft. — Multiple Tenancy Building
Don Mills, Ontario. Presently under construction.

St. Laurent, Montreal, 96,000 sq. ft. — Multiple Tenancy Building





Your company now controls 12 industrial parks — 4 in Montreal, 1 in Brampton and 7 in Toronto. Our foresight in choosing the most logical and attractive industrial locations is being confirmed by the reception these parks are getting from both real estate brokers and industrial clients.



Victoria Industrial Park, Toronto.

Acquired in 1965 and now under development — this 43-acre property fronting on the 401 Highway near its junction, with the Don Valley Parkway.

Careful siting of all buildings and architectural controls will make this one of the outstanding Industrial Parks in Toronto.



TORONTO METROPOLITAN AREA

■ Industrial Parks

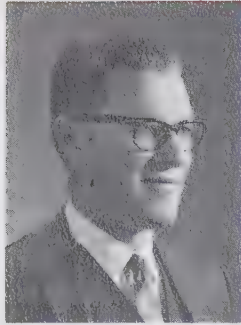
○ Leased industrial buildings owned by your Company

1. Victoria Industrial Park
2. Ellesmere-Birchmont Industrial Park
3. Don Mills South Industrial Park
4. Leslie Industrial Park
5. Discoe Industrial Park
6. Constellation Industrial Park
7. Long Branch Industrial Park

The Airport Industrial Estates, Montreal.

Over 80 acres and nearly a mile of frontage along Cote De Liesse Road make this a most unique development where every client can have frontage on Montreal's showcase industrial highway. This property is adjacent to hotels and the airport and has available to its door all transportation facilities. It is the intention of the Rubin Corporation to insure that a very high standard of planning and architectural design will be maintained throughout the development.

RESIDENTIAL DIVISION — HIGH RISE APARTMENTS



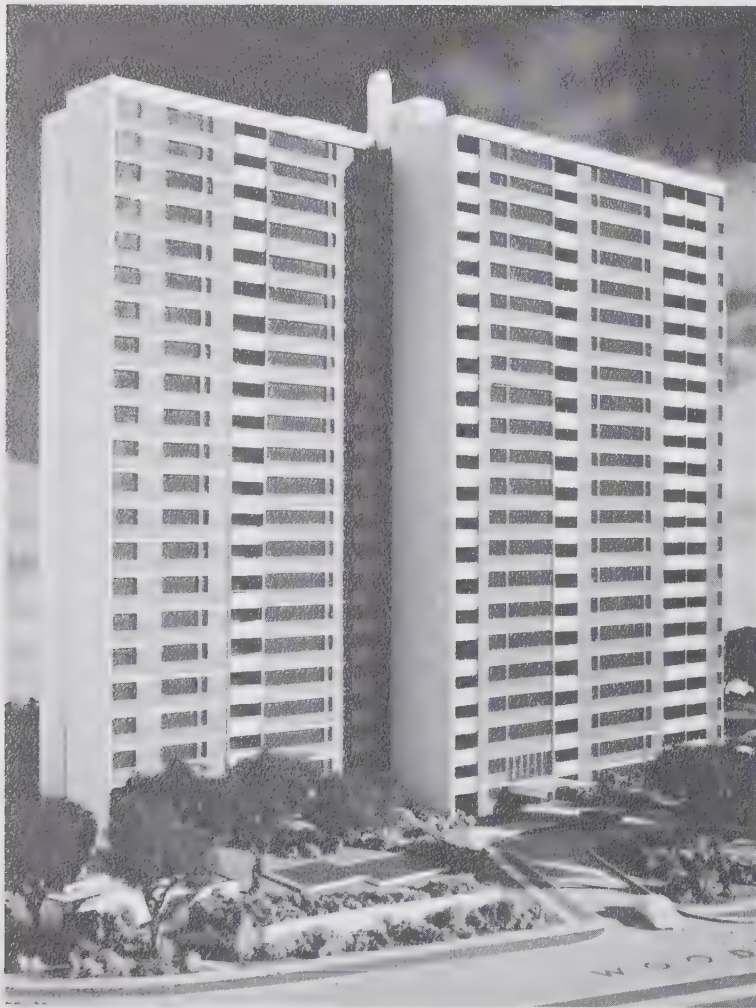
ALEX J. RUBIN
President



PETER E. BASTEDO
Vice President

Your Company has been the developer of several important apartment buildings during the last few years and continues its policy of building no more than one or two large buildings at any one time in choice locations.

*The Top-of-the-Valley, phase four,
Don Valley Woods, under construction.*



*The Colonnade, Bloor Street and
Avenue Road, Toronto.*



*Casa Blanca, Bathurst Street and
Eglinton Avenue, Toronto.*



*The Algonquin, Yonge Street and
Eglinton Avenue, Toronto.*

A proposed development in the Bloor and Yonge Street area.





DON BROWN
Development Manager



BERKO DEVOR
Senior Vice President



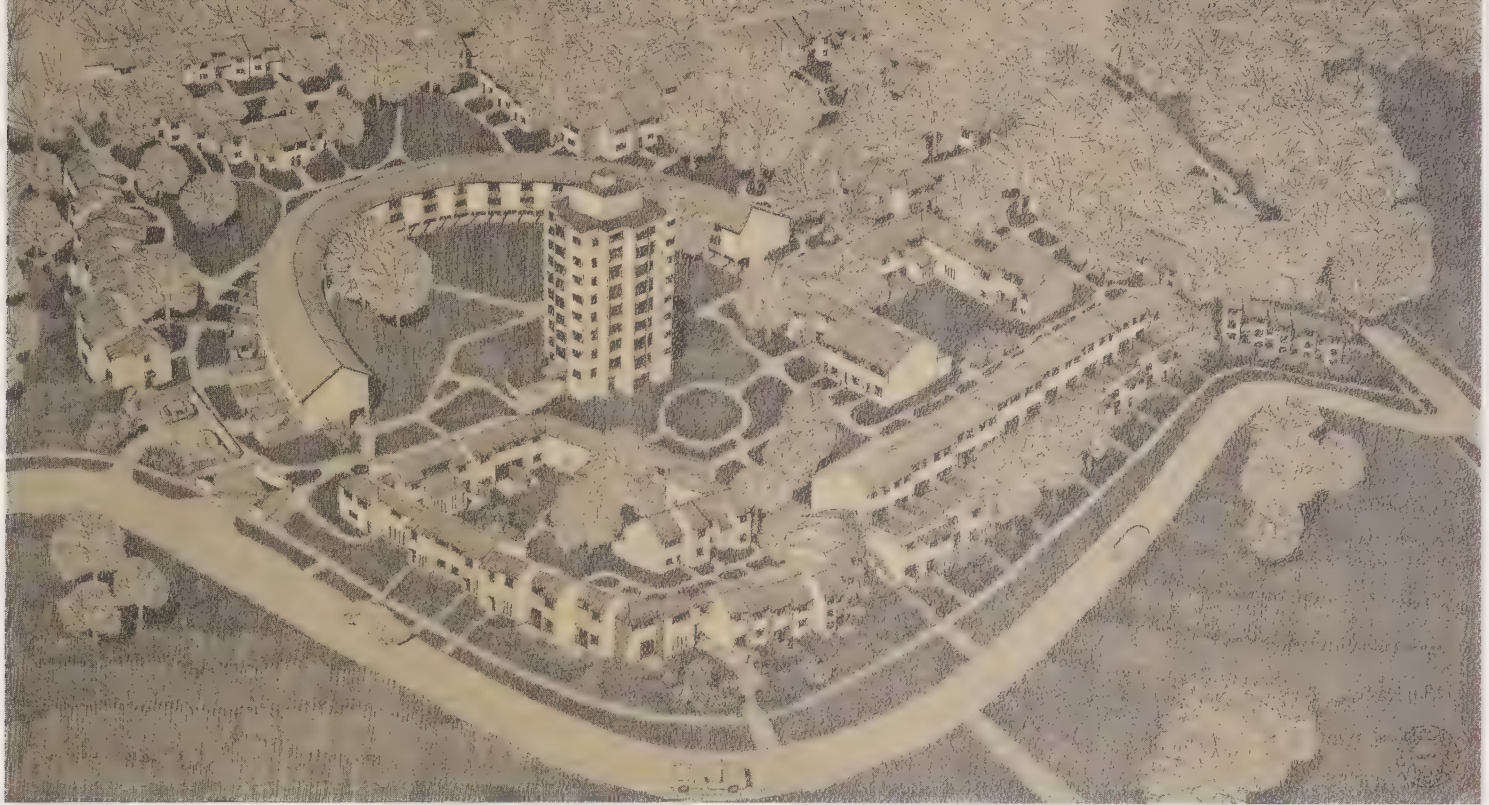
JOHN WATSON
Property Manager

Your Company in recognizing the importance of good design, extensive landscaping and underground parking, has established itself as a leader in the development of garden home communities in Canada.



*Examples of Garden
Housing completed in
our three garden
community projects
in Toronto.*

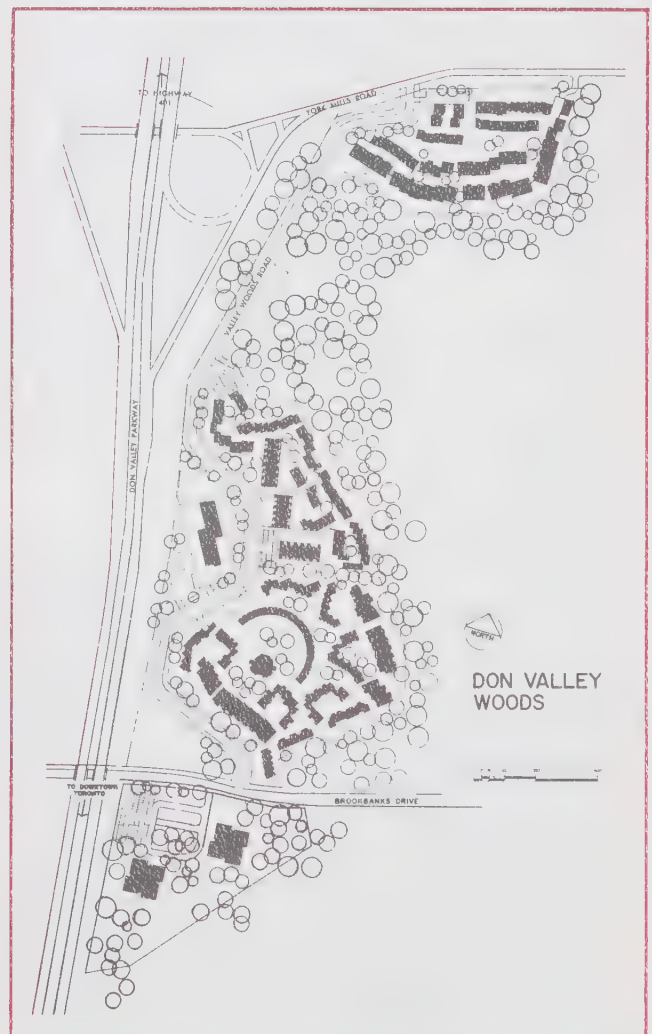




Don Valley Woods, Phase III, under construction, occupancy spring of 1966.



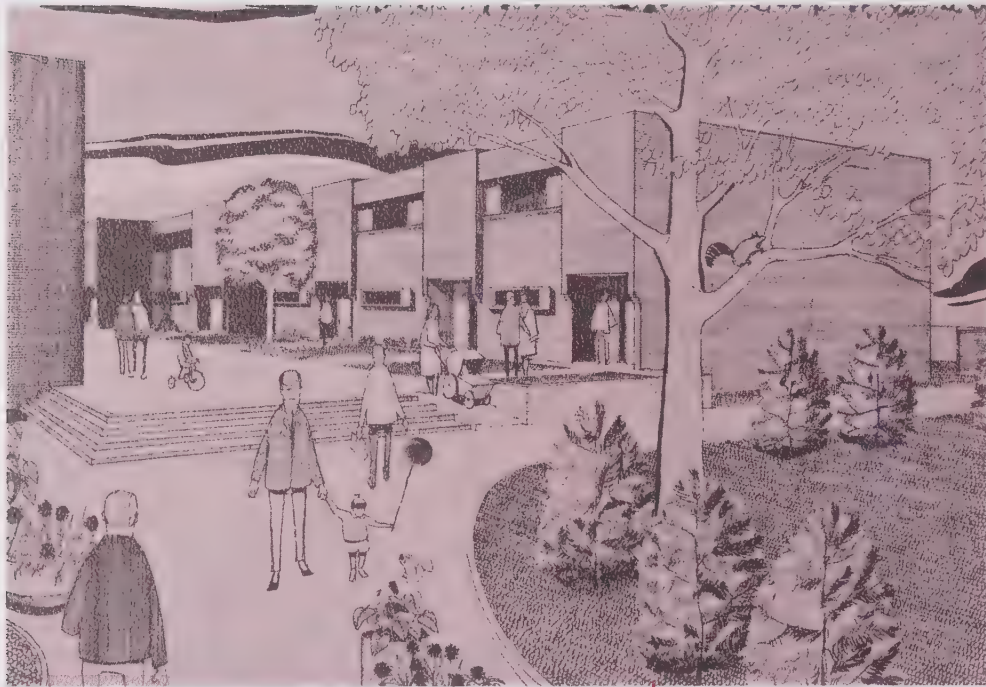
Premier Robarts presenting to Alex Rubin the top Award given by The Urban Development Institute for outstanding multiple housing design.



Site Plan of Canada's most unique Garden Community —
Don Valley Woods.
This community comprising approximately 1,000 garden homes
and apartments, is nearing completion.

RESIDENTIAL DIVISION — HOUSING DEVELOPMENTS FOR O.H.C.

Ontario Housing Corporation has called for proposals from builders and developers for the erection of low cost housing. Because of our experience in the design and construction of multiple housing units, we have been successful in our bids on several housing projects. Over the years we hope to make an important contribution to the development of better housing for moderate income families of Ontario. This is a new and growing field of operations to which your Company is devoting a great deal of time and effort.



Yorkwood Village, Toronto —
Construction to commence in 1966.



Windsor, Ontario —
Construction to commence in 1966.



Blake Street, east Toronto —
Proposal under consideration.

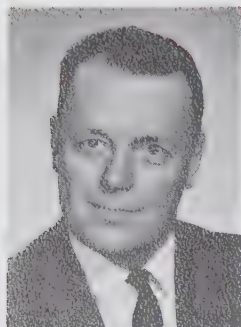
Pelham Park, west Toronto —
Proposal under consideration.



Alexander Park downtown Toronto —
Under construction.



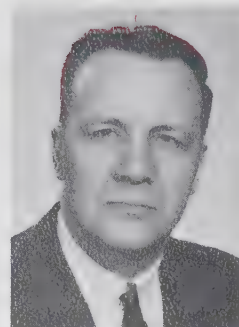
RESIDENTIAL DIVISION — SALE HOUSING AND LAND DEVELOPMENT



LAWRENCE LIVESAY
Construction Manager



HERBERT GREEN
Vice President

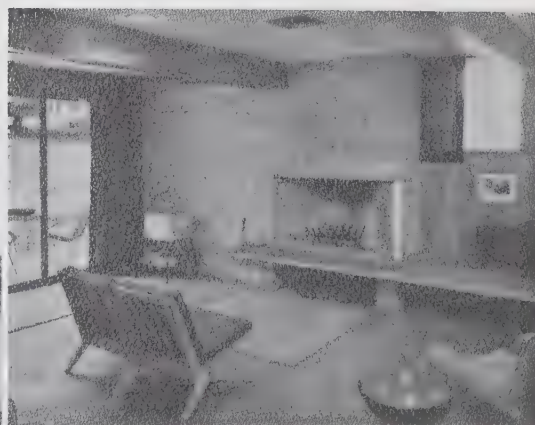


GLEN HOUNSON
Staff Designer

The main function of this division is to acquire lands and bring them to complete development. This entails the planning and servicing of subdivisions, the design, and construction of homes, and the sale of serviced lots to other builders. In many cases the sale of lots to builders is part of a package which also includes the design of the houses and the arrangement of first mortgage financing.



*Distinctive Interior Design
is a feature in all homes,
regardless of price.*



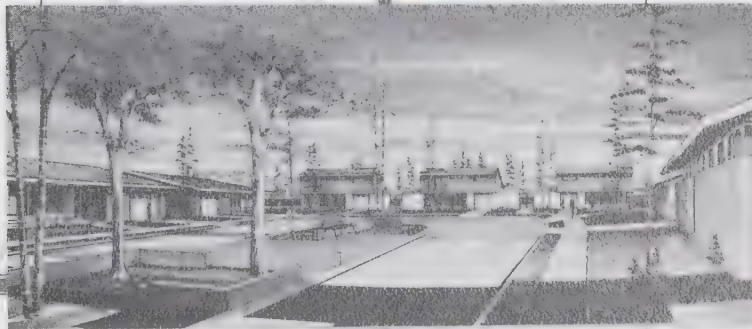
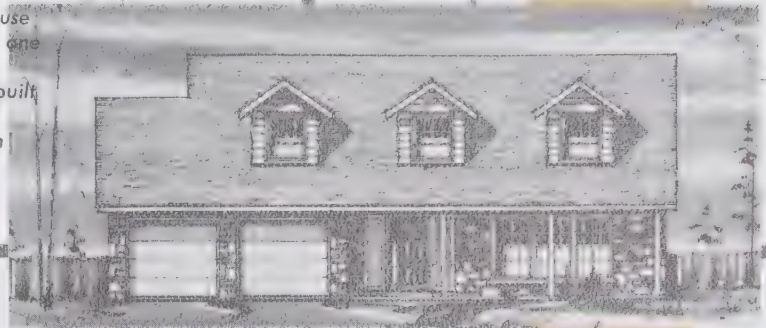
orangeville

One of four traditional and contemporary designs priced very modestly.



The traditional house shown is one of many designs built in the Brampton area.

brampton



thistleton

A Jury of Architects convened by C.M.H.C. chose our designs for this Thistleton development. The houses are now under construction.

cooksville

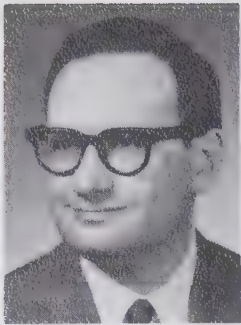


A group of contemporary designs proposed for a Toronto Township development. A wide range of house types and designs is contemplated.

URBAN REDEVELOPMENT IN U.S.A.



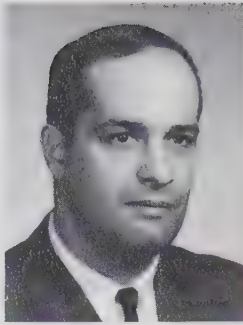
SEYMOUR BASKIN
Managing Director



MARVIN KAMIN
Construction Manager



TASSO KATSELAS
Architect



RON CORTES
Project Coordinator

Urban Properties, Inc., is a corporation dedicated to the redevelopment of American cities. It has the experience and financial strength necessary to undertake a wide variety of community developments.



THE STEVENS HOUSE — Lancaster, Penn.



Sheridan Park in Pittsburgh and Ellicott Development in Buffalo are nearing completion.



THE STEVENS HOUSE — Shopping Plaza.





JOHNSTOWN, PENN. — proposed downtown redevelopment.

WASHINGTON TOWERS,
Reading, Pennsylvania,
under construction.



PROPOSED DEVELOPMENT — BLOOR-YONGE AREA, TORONTO





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REVENUE PROPERTIES COMPANY LIMITED and its Subsidiaries

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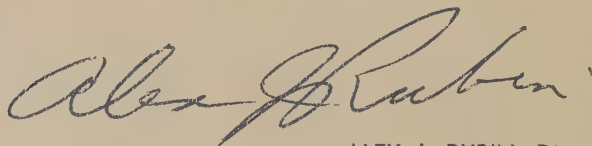
REVENUE PROPERTIES COMPANY LIMITED

Balance Sheet as December 31, 1964
with 1964 comparisons

ASSETS

	1964	1963
Cash	\$ 1,514,099	\$ 1,902,485
Prepaid realty taxes, insurance and sundry assets	122,796	157,134
Notes and mortgages receivable	578,825	750,000
Investment in wholly owned subsidiary companies at cost (note 1)		
Shares	3,120,077	920,077
Notes receivable	3,034,300	1,406,000
Real estate at cost less accumulated depreciation of \$1,366,900; 1964 — \$1,002,284	18,845,650	16,205,300
Debenture and first mortgage bonds discount and financing expenses less amount amortized	237,831	182,882
Organization expenses less amount amortized	112,147	130,839

Approved on behalf of the Board:



ALEX J. RUBIN, Director



W. P. WALKER, Director

Total assets

\$27,565,725

\$21,654,717

Prepared by the Company's independent accountants

LIABILITIES

	1965	1964
Accounts payable and accrued liabilities	\$ 199,324	\$ 349,165
Tenants' rental deposits	15,400	32,153
Mortgages on real estate (note 2)	9,560,715	7,986,514
6½% First Mortgage Sinking Fund Bonds, Series A, due August 1, 1983 (note 3)	1,410,000	1,470,000
6½% Sinking Fund Debentures, Series A, due November 15, 1973 (note 4)	2,250,000	2,350,000
6½% Sinking Fund Debentures, Series B, due June 1, 1977 (note 5)	1,930,000	—
Total liabilities	<u>\$15,365,439</u>	<u>\$12,187,832</u>

SHAREHOLDERS' EQUITY

Capital Stock (notes 6, 7, 8 and 9)

First Preference Shares

Authorized — 99,880 Shares with a par value of \$20 each; issuable in series

Issued and fully paid

54,880, 6½%, Cumulative, Redeemable, Convertible, Participating Shares, Series A; 1964 — 55,000 Shares

\$ 1,097,600 \$ 1,100,000

45,000, 6½%, Cumulative, Redeemable, Convertible, Participating Shares, Series B

900,000 —

Second Preference Shares

Authorized — 500,000, 6% Cumulative, Redeemable Shares with a par value of \$10 each

Issued and fully paid — 94,553½ Shares; 1964 — 31,015 Shares

945,535 310,150

Common shares

Authorized — 2,500,300 Shares without par value

Issued and fully paid — 1,293,890 Shares; 1964 — 1,242,600 Shares

6,552,762 6,171,000

\$ 9,495,897 \$ 7,581,150

Retained Earnings

2,416,784 1,789,015

Contributed Surplus

20,700 —

Reserve for Second Preference Shares to be issued as stock dividends (notes 8 and 9)

266,905 96,720

\$12,200,286 \$ 9,466,885

\$27,565,725 \$21,654,717

REVENUE PROPERTIES COMPANY LIMITED

STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1965 with 1964 comparisons

	1965	1964
Balance — January 1,	\$1,789,015	\$1,065,486
Add — Net revenue for the year	1,623,843	1,257,549
Discount on purchase of 6½% Sinking Fund Debentures, Series A	4,840	2,617
Discount on purchase of 6½%, First Mortgage Sinking Fund Debentures, Series B	4,900	—
	<u>\$3,422,598</u>	<u>\$2,325,652</u>
Less — Dividends — First Preference Shares, Series A	\$ 109,800	\$ 108,350
— First Preference Shares, Series B	26,775	—
— Second Preference Shares	40,564	—
Amount transferred to capital stock to pay in full 63,538½ Second Preference Shares issued as stock dividends; 1964 — 31,015 Shares	635,385	310,150
Premium on purchase of 6½% First Mortgage Sinking Fund Bonds, Series A	150	—
Amortization of organization and financing expenses	22,955	21,417
Transfer to Reserve for Second Preference Shares to be issued as stock dividends (net) (notes 8 and 9)	170,185	96,720
	<u>\$1,005,814</u>	<u>\$ 536,637</u>
Balance — December 31,	<u>\$2,416,784</u>	<u>\$1,789,015</u>

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended December 31, 1965 with 1964 comparisons

	1965	1964
Revenue		
Rentals and interest	\$2,486,348	\$1,977,145
Received from wholly owned subsidiary (note 13)	950,000	900,000
	<u>\$3,436,348</u>	<u>\$2,877,145</u>
Expenditure		
Property operating expenses	\$ 373,696	\$ 333,060
General and administrative	62,710	74,158
Management fee	25,000	25,000
Directors' fees	18,400	18,600
Interest on first mortgage bonds	94,108	95,550
Mortgage interest	636,135	570,068
Interest on debentures	225,431	154,408
Amortization of debenture and first mortgage bond discount	12,319	10,375
Allowance for depreciation (note 14)	364,706	338,377
	<u>\$1,812,505</u>	<u>\$1,619,596</u>
Net Revenue (note 14)	<u>\$1,623,843</u>	<u>\$1,257,549</u>

The accompanying notes to financial statements form an integral part of this statement and should be read in conjunction therewith.

NOTES TO FINANCIAL STATEMENTS, December 31, 1965

1. INVESTMENT IN WHOLLY OWNED SUBSIDIARIES —

Shares — \$3,120,077

Notes receivable — \$3,034,300

The operations of the wholly owned subsidiary companies, The Rubin Corporation Limited, One Thirty One Bloor West Limited and Multilease Limited are primarily real estate development and management and are materially different from those of the Company which is real estate investment. In addition, the subsidiaries are not "consolidated subsidiaries" as defined in the Trust Deeds for the 6½% First Mortgage Sinking Fund Bonds, Series A and the 6½% Sinking Fund Debentures, Series A and Series B, and the provisions attaching to the 6½% Cumulative, Redeemable, Convertible, Participating First Preference Shares, Series A and Series B; therefore, the accounts of the subsidiary companies are not consolidated herein. The consolidated financial statements of Revenue Properties Company Limited and its subsidiaries are presented elsewhere in this report. The notes receivable from the subsidiaries are payable on demand.

2. MORTGAGES ON REAL ESTATE — \$9,560,715

The mortgages bear interest at an average rate of approximately 7% and mature at various dates over the next 25 years, and are repayable as to principal approximately as follows:

	Balance Sheet
Fiscal years ending December 31, 1966	\$ 936,009
1967	862,961
1968	3,038,309
1969	698,958
1970	472,970
1971	408,074
1972	408,715
1973	300,629
1974	301,967
Subsequent to December 31, 1974	2,132,123

The principal repayments are based upon the amortization term of the mortgages, and while certain mortgages fall due in advance of the full term of amortization, the Company's experience has shown that balances outstanding at the maturity date can be extended to the end of the amortization period upon similar terms of repayment. Short-term mortgages maturing in 1966 in amount of \$385,000, in 1967 in amount of \$360,000 and in 1968 in amount of \$2,575,000 are in the opinion of management renewable at maturity on similar terms of repayment.

3. 6½% FIRST MORTGAGE SINKING FUND BONDS, SERIES A — \$1,410,000

Pursuant to the Trust Deed for the Series A Bonds, the Company covenanted to establish a Sinking Fund in each of the years 1964 to 1982 inclusive by purchase for cancellation or by redemption by call, a principal amount of Series A Bonds equal to the total of 2% of the principal amount of all Series A Bonds issued, plus the interest which would have accrued on or prior to August 1 in each year on all Series A Bonds purchased for cancellation or redeemed.

4. 6½% SINKING FUND DEBENTURES, SERIES A — \$2,250,000

Pursuant to the Trust Deed for the Series A Debentures the Company covenanted to establish a Sinking Fund for the retirement of \$50,000 aggregate principal amount of Series A Debentures on November 15 in each of the years 1962 to 1972 inclusive. The Series A Debentures when originally issued were accompanied by share purchase warrants entitling the registered holders thereof to purchase 100 Common Shares without par value in the capital of the Company in respect of each \$1,000 principal amount of such Series A Debentures. Such share purchase warrants entitle the holders thereof to purchase Common Shares at \$5 per share if exercised on or before November 15, 1966, such price increasing thereafter by 25¢ per share for each year commenced or elapsed from November 15, 1966 to the date of exercise provided that the said warrants will expire on November 15, 1973 or on the expiration of two years following the retirement of all such Debentures, whichever shall be earlier. Under the terms of the share purchase warrants, a warrant holder is entitled to receive at the time he exercise his warrants, in addition to the Common Shares resulting from such exercise, stock dividends on each such Common Share equal to the aggregate of the stock dividends which would have been declared and paid on each such Common Share if it had been outstanding throughout the period from the date of such warrants, November 15, 1961, to the date of his exercise thereof.

5. 6½% SINKING FUND DEBENTURES, SERIES B — \$1,930,000

Pursuant to the Trust Deed for the Series B Debentures, the Company covenanted to establish a Sinking Fund for the retirement of \$40,000 aggregate principal amount of Series B Debentures on June 1 in each of the years 1966 to 1976 inclusive. The Series B Debentures when originally issued were accompanied by share purchase warrants entitling the registered holders thereof to purchase 50 Common Shares without par value in the capital of the Company in respect of each \$1,000 principal amount of such Series B Debentures. Such share purchase warrants entitle the holders thereof to

Notes to Financial Statements, December 31, 1965

purchase Common Shares at \$9.00 per share if exercised on or before June 1, 1969, thereafter at \$11.00 per share if exercised on or before June 1, 1972, and thereafter at \$13.00 per share if exercised on or before June 1, 1975.

6. 6½% CUMULATIVE, REDEEMABLE, CONVERTIBLE, PARTICIPATING FIRST PREFERENCE SHARES, SERIES A — \$1,097,600

In accordance with the provisions attaching to the First Preference Shares, Series A, so long as any of the said shares are outstanding, the Company shall on or before the 15th day of November, in each year, commencing with the year 1962, set aside as a purchase fund for the purchase of Series A First Preference Shares for cancellation the sum of \$30,000 up to a maximum amount of the lesser of \$90,000 or 15% of the aggregate par value of the Series A First Preference Shares outstanding on the first day of October in each year. A holder of Series A First Preference Shares, is entitled in respect of each such share held to 30 votes at all meetings of the shareholders of the Company. A holder of Series A First Preference Shares is entitled to receive at the time he exercises his right of conversion, in addition to the Common Shares resulting from such conversion, stock dividends equal to the aggregate of the stock dividends which would have been declared and paid on each such Common Share if it had been outstanding from the date of the issuance of such Series A First Preference Shares. The Series A First Preference Shares are convertible into a maximum of 109,760 fully paid Common Shares without par value in the capital of the Company on the basis of two Common Shares for each Series A First Preference Share converted at any time up to and including November 15, 1969.

7. 6½% CUMULATIVE, REDEEMABLE, CONVERTIBLE, PARTICIPATING FIRST PREFERENCE SHARES, SERIES B — \$900,000

In accordance with the provisions attaching to the First Preference Shares, Series B, so long as any of the said shares are outstanding, the Company shall on or before November 15 in each year, commencing with the year 1966, set aside as a purchase fund for the purchase of Series B First Preference Shares for cancellation the sum of \$24,500 up to a maximum of the lesser of \$73,500 or 15% of the aggregate par value of the Series B First Preference Shares outstanding on October 1 in each year. A holder of Series B First Preference Shares is entitled in respect of each share held to 30 votes at all meetings of the shareholders of the Company. The Series B First Preference Shares are convertible into a maximum of 90,000 fully paid Common Shares without par value in the capital of the Company on the basis of two Common Shares for each Series B First Preference Share converted at any time up to and including November 15, 1969. 45,000 Series B First Preference Shares were issued and sold during the year

for an aggregate cash consideration of \$920,700 of which \$20,700 has been credited to contributed surplus.

8. SECOND PREFERENCE SHARES ISSUED AS STOCK DIVIDENDS — \$945,535

The Company has issued stock dividends of 6% Cumulative, Redeemable Second Preference Shares with a par value of \$10 each to the holders of Common Shares. An aggregate of 94,553½ Second Preference Shares have been issued as Stock Dividends to December 31, 1965 of which 63,538½ shares were issued during the year. 18,458 Second Preference Shares are reserved for issuance as dividends, in accordance with the provisions relating to stock dividends referred to in Note 4 upon the exercise of Common Share purchase warrants and 8,232 Second Preference Shares are reserved for issuance as dividends, in accordance with the provisions relating to stock dividends referred to in Note 6 upon the conversion of Series A First Preference Shares into Common Shares.

9. COMMON SHARES

During the year, the Company issued and sold 49,765 Common Shares without par value for an aggregate consideration of \$373,238 and 1,225 Common Shares were issued for an aggregate consideration of \$6,125 pursuant to share purchase warrants exercised. 346,175 Common Shares are reserved for issue pursuant to the share purchase warrants referred to in Notes 4 and 5.

10. RESTRICTIONS ON PAYMENT OF DIVIDENDS ON SHARES

The Trust Deed for the 6½% First Mortgage Sinking Fund Bonds, Series A, and the provisions attaching to the 6½% Cumulative, Redeemable, Convertible, Participating First Preference Shares, Series A and Series B, contain restrictions on the payment of dividends.

11. RIGHTS OF EMPLOYEES TO COMMON SHARES

The Company has granted options to two officers of the Company for the purchase of 25,000 Common Shares as follows:

1. An option for the purchase of 10,000 Common Shares at the price of \$6.00 per share exercisable for a five year period in each case as to 2,000 shares for each of five years commencing September 17, 1963 that he remains in the employment of the Company, the option on the last 2,000 shares expiring on September 16, 1972.
2. An option for the purchase of 15,000 Common Shares at the price of \$7.50 per share exercisable for a five year period in each case as to 3,000 shares for each of the five years commencing October 4, 1965 that he remains in the employment of the Company, the option on the last 3,000 shares expiring on October 4, 1975.

The Company has also agreed to allot and issue to an officer of the Company, and the officer agreed to take up and pay for an aggregate of 25,000 Common Shares at the price of \$6.00 per share. Under such agreement, subject to provisions applying in the event of death or termination of employment, the officer is entitled to purchase 5,000 of the said Common Shares on May 14 in each of the years 1963 to 1967, both inclusive, and must take up and pay for each such installment of 5,000 Common Shares within five years of becoming entitled to purchase such installment. To date the officer has not taken up or paid for any of the said 25,000 Common Shares.

12. CONTINGENT LIABILITIES

The Company is contingently liable as guarantor of liabilities of a subsidiary in the amount of approximately \$954,000.

13. STOCK DIVIDENDS FROM WHOLLY OWNED SUBSIDIARY

Net revenue for the year includes receipts by the Company from its wholly owned subsidiary, The Rubin Corporation Limited, of \$950,000 and represents the proceeds received on the redemption of preference shares of that subsidiary received as stock dividends and also represents approximately 100% of the net revenue of the Company's subsidiaries for the year ended December 31, 1965.

14. DEPRECIATION POLICY

The allowance for depreciation has been taken at the rate of 2½% per annum on the cost of the depreciable improvements to the properties which is the rate required to be used in determining "consolidated net earnings" of the Company in accordance with the provisions attaching to the Series A Preference Shares and in determining the net income to the Company in accordance with the definition of "net income to the Company" in the Trust Deed securing the 6½% First Mortgage Sinking Fund Bonds, Series A. For tax purposes, however, capital cost allowance has been claimed at the maximum rates allowed under the Income Tax Act and exceeds the allowance for depreciation by \$375,000 for the year and by an accumulated amount of \$1,510,000 to December 31, 1965. Income tax otherwise payable has been reduced by an accumulated amount of approximately \$610,000 to December 31, 1965.

Subsequent to balance sheet date an assessment was received by the Company for additional Federal income tax covering the years 1963 and 1964 in the amount of approximately \$108,000. The assessment arose as a result of a controversy with respect to capital cost allowances available for income tax purposes. In the opinion of Counsel the assessment is unjustified and, therefore, no charges against earnings has been made in the Financial Statements for the assessment.

AUDITORS' REPORT to the Shareholders

We have examined the balance sheet of Revenue Properties Company Limited as at December 31, 1965 and the statements of revenue and expenditure and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of revenue and expenditure and retained earnings present fairly the financial position of the Company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

"PERLMUTTER, ORENSTEIN, GIDDENS,
NEWMAN & KOFMAN"

Chartered Accountants.

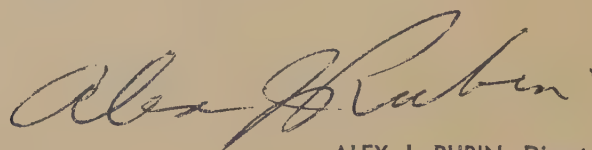
Toronto, March 25, 1966.

REVENUE PROPERTIES COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheet as at December 31, 1965
with 1964 comparisons

Assets	1965	1964
Cash	\$ 1,857,586	\$ 1,990,988
Accounts, notes and rents receivable	2,265,175	948,091
Prepaid expenses and sundry assets	392,136	513,444
Mortgages receivable (note 1)	7,757,279	3,593,149
Real estate under development (note 2)	18,856,701	10,961,486
Revenue producing real estate at cost less accumulated depreciation of \$1,728,738; 1964 — \$1,377,275	37,270,283	32,436,319
Investment in and advances to affiliated companies	1,073,627	1,683,405
Furniture and equipment at cost less accumulated depreciation of \$22,539; 1964 — \$14,391	81,591	69,833
Debenture and first mortgage bond discount and financing expenses less amount amortized	237,831	182,882
Organization expenses less amount amortized	112,147	130,839
Excess of cost of shares of subsidiaries over book value at date of acquisition	140,459	140,459

Approved on behalf of the Board:



ALEX J. RUBIN, Director



W. P. WALKER, Director

Total assets

\$70,044,815

\$52,650,895

The accompanying notes to consolidated financial statements form an integral part of this consolidated balance sheet and should be read in conjunction therewith.

LIABILITIES

	1965	1964
Bank indebtedness (note 3)	\$ 2,343,919	\$ 2,968,981
Accounts payable and accrued liabilities	5,572,125	3,619,122
Tenants' rental and other deposits	127,771	133,134
Mortgages on real estate under development and secured loans (note 4)	17,639,845	9,302,684
Mortgages on revenue producing real estate (note 5)	24,661,044	20,836,666
Loans from directors	684,432	681,790
6½% First Mortgage Sinking Fund Bonds, Series A, due August 1, 1983 (note 6)	1,410,000	1,470,000
6½% Sinking Fund Debentures, Series A, due November 15, 1973 (note 6)	2,250,000	2,350,000
6½% Sinking Fund Debentures, Series B, due June 1, 1977 (note 6)	1,930,000	—
Total liabilities	\$56,619,136	\$41,362,377
Deferred income (note 7)	\$ 200,000	\$ 795,002
Minority interest in subsidiary company	\$ 894,603	\$ 896,324

SHAREHOLDERS' EQUITY

Capital Stock (note 6)

First Preference Shares

Authorized — 99,880 Shares with a par value of \$20 each; issuable in series

Issued and fully paid

54,880, 6½%, Cumulative, Redeemable, Convertible, Participating Shares, Series A; 1964 — 55,000 Shares

\$ 1,097,600 \$ 1,100,000

45,000, 6½%, Cumulative, Redeemable, Convertible, Participating Shares, Series B

900,000 —

Second Preference Shares

Authorized — 500,000, 6%, Cumulative, Redeemable Shares with a par value of \$10 each

Issued and fully paid — 94,553½ Shares; 1964 — 31,015 Shares

945,535 310,150

Common shares

Authorized — 2,500,300 Shares without par value

Issued and fully paid — 1,293,890 Shares; 1964 — 1,242,600 Shares

6,552,762 6,171,000
\$ 9,495,897 \$ 7,581,150

Retained Earnings

2,547,574 1,919,322

Contributed Surplus

20,700 —

Reserve for Second Preference Shares to be issued as stock dividends (note 6)

266,905 96,720
\$12,331,076 \$ 9,597,192
\$70,044,815 \$52,650,895

REVENUE PROPERTIES COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS for the year ended December 31, 1965 with 1964 comparison

	1965	1964
Balance — January 1,	\$ 1,919,322	\$ 1,151,934
Add — Net revenue for the year	1,624,326	1,301,408
Discount on purchase of 6½% Sinking Fund Debentures, Series A	4,840	2,617
Discount on purchase of 6½% First Mortgage Sinking Fund Debentures, Series B	4,900	—
	<u>\$ 3,553,388</u>	<u>\$ 2,455,959</u>
Less — Dividends — First Preference Shares, Series A	\$ 109,800	\$ 108,350
— First Preference Shares, Series B	26,775	—
— Second Preference Shares	40,564	—
Amount transferred to capital stock to pay in full 63,538½ Second Preference Shares issued as stock dividends; 1964 — 31,015 Shares	635,385	310,150
Premium on purchase of 6½% First Mortgage Sinking Fund Bonds, Series A	150	—
Amortization of organization and financing expenses	22,955	21,417
Transfer to reserve for Second Preference Shares to be issued as stock dividends (net) (note 6)	170,185	96,720
	<u>\$ 1,005,814</u>	<u>\$ 536,637</u>
Balance — December 31,	<u>\$ 2,547,574</u>	<u>\$ 1,919,322</u>

CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE for the year ended December 31, 1965 with 1964 comparison

	1965	1964
Revenue		
Sales of land and buildings	\$19,544,363	\$16,286,539
Rentals	3,718,677	2,441,208
Interest	690,021	275,472
Fees	130,166	118,237
Other	38,543	40,996
	<u>\$24,121,770</u>	<u>\$19,162,452</u>
Expenditure		
Cost of land and buildings	\$17,481,815	\$14,629,640
Property operating expenses	1,602,332	782,919
General and administrative	1,273,734	695,302
Interest on loans and mortgages	1,288,946	933,300
Interest on debentures	225,431	154,408
Interest on first mortgage bonds	94,108	95,550
Directors' fees	27,950	27,000
Amortization of debenture and first mortgage bond discount	12,319	10,375
Allowance for depreciation (note 8)	490,809	532,550
	<u>\$22,497,444</u>	<u>\$17,861,044</u>
Net Revenue (note 8)	<u>\$ 1,624,326</u>	<u>\$ 1,301,408</u>

The accompanying notes to consolidated financial statements form an integral part of this consolidated statement and should be read in conjunction therewith.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, December 31, 1965

1. MORTGAGES RECEIVABLE — \$7,757,279

Mortgages taken back on sales of real estate of which \$415,000 is subordinated to leases on properties sold and leased back. Reference is made to Notes 7 and 10 (a) \$3,736,436

First mortgages taken back on sales of real estate to The Royal Trust Company as Trustee for various housing trusts. Reference is made to Note 10 (b) 4,020,843
\$7,757,279

2. REAL ESTATE UNDER DEVELOPMENT — \$18,856,701

This balance includes land held for development and construction costs for those projects under construction at balance sheet date. The land is recorded at cost, which includes carrying charges and development costs incurred since date of acquisition. Where the Company is a participant in a joint venture the consolidated financial statements include the Company's proportionate share of both the assets and liabilities pertaining to these ventures.

3. BANK INDEBTEDNESS — \$2,343,919

\$1,693,919 of this amount is secured by mortgage commitments on real estate under development, the balance of \$650,000 is unsecured.

4. MORTGAGES ON REAL ESTATE UNDER DEVELOPMENT AND SECURED LOANS — \$17,639,845

(a) Mortgages and secured loans \$10,955,675
(b) First Mortgage advances re construction in progress 3,013,395
(c) Balances payable under agreements for purchase of land 3,670,775
\$17,639,845

(a) Mortgages are interim financing secured primarily on land and construction in progress and will be discharged out of the proceeds of first mortgage financing where construction is in progress or from the proceeds of sales. To the extent that properties remain undeveloped or unsold at the maturity date of such mortgages, these mortgages are, in the opinion of management, renewable at maturity on similar terms of repayment.

Secured loans are primarily secured by mortgages receivable and are, in the opinion of management, renewable at maturity on similar terms of repayment.

(b) First mortgage advances re construction in progress represent the proceeds of first mortgage financing on real estate under construction as at balance sheet date.

(c) These agreements require no substantial cash outlay from the company for a period of approximately 5 years except that the agreements contain provisions requiring partial payments on the balances as sales are made out of the relative property.

5. MORTGAGES ON REVENUE PRODUCING REAL ESTATE — \$24,661,044

The mortgages bear interest at an average rate of approximately 7.4% and mature at various dates over the next twenty-five years, and are repayable as to principal approximately as follows:

Fiscal years ending December 31, 1966	\$ 2,053,414
1967	1,243,912
1968	4,506,952
1969	986,066
1970	778,955
1971	734,231
1972	759,927
1973	668,356
1974	689,047
Subsequent to December 31, 1974	12,240,184

The principal repayments are based upon the amortization term of the mortgages, and while certain mortgages fall due in advance of the full term of amortization, the Company's experience has shown that balances outstanding at the maturity date can be extended to the end of the amortization period upon similar terms of repayment. Short-term mortgages maturing in 1966 in the amount of \$1,315,000, in 1967 in the amount of \$510,000 and in 1968 in the amount of \$3,775,000 are in the opinion of management, renewable at maturity on similar terms of repayment.

6. Reference is made to Notes 3 to 11 inclusive of the notes to financial statements as at December 31, 1965 of Revenue Properties Company Limited included elsewhere in this report.

7. DEFERRED INCOME — \$200,000

Reference is made to Note 1 with respect to mortgages subordinated to leases re properties sold and leased back. The deferred income of \$200,000 represents a portion of the profit on the sale of one of the properties equal to the amount of the mortgage taken back on the sale. No deferred income arose with respect to other properties sold under similar circumstances as same were sold at approximate cost.

8. DEPRECIATION POLICY

The allowance for depreciation has been taken at the rate of 2½% per annum on the cost of the building portion of depreciable improvements to property, except for depreciation on property located in the U.S.A. where the rate is 2% per annum, and The Colonnade in Toronto where the rate is 1% per annum. Depreciation on the equipment portion of depreciable improvements to property has been taken at the rate of 10% per annum. For income tax purposes, however, the Company and its subsidiaries propose to claim capital cost allowances on these assets at the maximum rates allowed under the Income Tax Act which exceed the allowance for depreciation by \$841,000 for the year and by an accumulated amount of \$3,385,000 to December 31, 1965. Certain subsidiaries propose to claim for income tax purposes interest and other carrying costs which have been capitalized in the accounts as cost of real estate. Where mortgages were taken back on the sales of properties a portion of the income therefrom has been deferred for income tax purposes pursuant to provisions of the Income Tax Act permitting such deferment. Income tax otherwise payable has been reduced by an accumulated amount of \$1,860,000 to December 31, 1965. Subsequent to balance sheet date an assessment was received by Revenue Properties Company Limited for additional Federal income tax covering the years 1963 and 1964 in the amount of approximately \$108,000. The assessment arose as a result of a controversy with respect to capital cost allowances available for income tax purposes. In the opinion of counsel the assessment is unjustified and, therefore, no charge against earnings has been made in the Financial Statements for the assessment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. LEASE OBLIGATIONS

Rentals payable by subsidiaries on revenue producing real estate sold and leased back are as follows:

(a) Expiry date December 9, 1968	\$ 257,079
(b) Expiry date August 31, 1980 to August 31, 1967	117,864
from September 1, 1967 to August 31, 1980	112,920
(c) Expiry date December 30, 1980	158,230
(d) Expiry date January 31, 1981	164,713
(e) Expiry date October 1, 1979	122,088
(f) Expiry date October 15, 1978	53,100
(g) Expiry date October 31, 1989	100,600
(h) Expiry date June 29, 1994 to June 29, 1969	198,639
from June 30, 1969 to June 29, 1994	186,125
(i) Expiry date October 1, 1979	187,909
(j) Expiry date November 30, 1978	19,789

With respect to leases (a) and (b) reference is made to Note 10 (a).

The subsidiary has the right to terminate leases (b) to (h) inclusive by payment of a specific amount relative to each lease. The total amount required to cancel such leases is a maximum of \$742,000 of which \$415,000 is represented by those mortgages receivable subordinated to leases as referred to in Note 1. The subsidiary has the right to renew certain of the leases for various additional terms.

Rentals on long-term land leases are as follows:

(a) Expiry date November 30, 1968	\$ 22,559 per annum
(b) Expiry date June 30, 2060	113,400 per annum
(c) Expiry date May 31, 2064	24,300 per annum
(d) Expiry date February 28, 2063	17,000 per annum
(e) Expiry date December 11, 2019	11,460 per annum

Lease (a) has two renewals of five years each at a rental of \$9,838 per annum and \$8,092 per annum respectively.

Lease (b) contains a clause for renegotiated rent after thirty years.

10. CONTINGENT LIABILITIES

- (a) A subsidiary has entered into agreements with respect to two properties sold at approximate cost during the year and leased back. These agreements give the purchasers the right, within two years from date of purchase with respect to one property and within three years from date of purchase with respect to the other property, to sell the properties back to the subsidiary for the original purchase price less any reduction in the first mortgages on the properties between the date of purchase and the date of exercise of the option. In the event that the purchasers exercise such right, the aggregate cash payment required to repurchase the two properties is \$685,000.
- (b) Certain subsidiaries sold an aggregate of 314 houses to The Royal Trust Company as Trustee and took back promissory notes and first mortgages to cover the purchase price. The trustee in turn sold the houses to individual purchasers who made down payments equal to the aforesaid promissory notes and assumed their pro-rata obligation on the aforesaid first mortgage. Each of the purchasers has agreed to pay to the Trustee in monthly instalments such amounts as the Trustee is required to repay on the first mortgages. A subsidiary has agreed with the purchasers to repurchase houses for the original purchase price less \$500 as to 119 houses for a period of approximately 3½ years from balance sheet date and as to 103 units for a period of approximately 1½ years from balance sheet date.

AUDITORS' REPORT

to the Shareholders

We have examined the consolidated balance sheet of Revenue Properties Company Limited as at December 31, 1965 and the consolidated statements of revenue and expenditure and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. As to the Company's U.S.A. subsidiaries, we were furnished with reports of other independent accountants on their examination of the financial statements of those subsidiaries for the year.

In our opinion, which insofar as it relates to the amounts included for the U.S.A. subsidiaries is based solely upon the reports of other independent accountants referred to above, the accompanying consolidated balance sheet and related consolidated statements of revenue and expenditure and retained earnings present fairly the financial position of the Company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

"PERLMUTTER, ORENSTEIN, GIDDENS,
NEWMAN & KOFMAN"

Chartered Accountants.

Toronto, April 12, 1966.



